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FINANCIAL AUDIT

American Battle Monuments Commission's Financial Statements for Fiscal Years 2001 and 2000



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Abstract This report presents the results of our audits of the American Battle Monuments Commission s (ABMC)financial statements for the fiscal years ended September 30,2001 and 2000.We prepared this report in accordance with 36 U.S.C.2103. We are sending copies of this report to the chairmen and ranking minority members of the Senate Committee on Appropriations and the House Committee on Appropriations.We are also sending copies to the secretary of the treasury,the director of the Office of Management and Budget,the chairman of ABMC,and other interested parties.		
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Abbreviations

ABMC	American Battle Monuments Commission
FMFIA	Federal Managers’ Financial Integrity Act of 1982
OMB	Office of Management and Budget



United States General Accounting Office
Washington, D.C. 20548

March 1, 2002

The Honorable John D. Rockefeller, IV
Chairman
The Honorable Arlen Specter
Ranking Minority Member
Committee on Veterans' Affairs
United States Senate

The Honorable Christopher H. Smith
Chairman
The Honorable Lane Evans
Ranking Minority Member
Committee on Veterans' Affairs
House of Representatives

This report presents the results of our audits of the American Battle Monuments Commission's (ABMC) financial statements for the fiscal years ended September 30, 2001 and 2000. We prepared this report in accordance with 36 U.S.C. 2103.

We are sending copies of this report to the chairmen and ranking minority members of the Senate Committee on Appropriations and the House Committee on Appropriations. We are also sending copies to the secretary of the treasury, the director of the Office of Management and Budget, the chairman of ABMC, and other interested parties.

Should you or your staffs have any questions concerning this report, please contact me on (202) 512-9406 or Roger R. Stoltz, Assistant Director, at (202) 512-9408. Key contributors to this assignment were Patricia A. Summers and Bronwyn E. Hughes.

Jeanette M. Franzel
Acting Director
Financial Management and Assurance



United States General Accounting Office
Washington, D.C. 20548

To the Chairman of the American Battle Monuments Commission

In accordance with 36 U.S.C. 2103, as codified by Public Law 105-225, August 12, 1998, we are responsible for conducting audits of the agencywide financial statements of the American Battle Monuments Commission (ABMC). In our audits of ABMC for fiscal years 2001 and 2000, we found

- the consolidating financial statements as of and for the fiscal year ended September 30, 2001, and comparative consolidated totals as of and for the fiscal year ended September 30, 2000, are presented fairly in conformity with U.S. generally accepted accounting principles;
- although internal controls should be improved, ABMC had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations as of September 30, 2001; and
- no reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions and our conclusions on Management's Discussion and Analysis and other supplementary information and (2) the objective, scope, and methodology of our audit.

Opinion on Financial Statements

The ABMC consolidating balance sheet as of September 30, 2001, and its related consolidating statements of net cost and changes in net position; budgetary resources; and financing, with accompanying notes for the fiscal year then ended, and comparative consolidated totals as of and for the fiscal year ended September 30, 2000, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Opinion on Internal Control

ABMC maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) and compliance as of September 30, 2001, that provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the consolidating financial statements or to stewardship information would be prevented or detected on a timely basis. Our opinion is based upon criteria established under 31 U.S.C. 3512 (c), (d), [Federal Managers' Financial Integrity Act (FMFIA)], and Office of Management and Budget (OMB) Circular No. A-123, *Management Accountability and Control*.

However, our work identified the need to improve certain internal control, as described below, that we consider a reportable condition. Such a condition is a deficiency in the design or operation of internal controls that, in our judgment, could adversely affect ABMC's ability to meet internal control objectives or meet OMB criteria for reporting matters under FMFIA. We did not consider these deficiencies to be a material weakness, which occurs when the design or operation of internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the consolidating financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned duties. In addition, misstatements may occur in other ABMC financial information not included in this report as a result of this reportable condition.

Reportable Condition

During our audit we noted three deficiencies in internal controls over information technology systems as of September 30, 2001, which are discussed below. ABMC management reported these deficiencies in its fiscal year 2001 FMFIA report and plans corrections through the implementation of a new accounting system on October 1, 2001, and through efforts to be taken in tandem with the new system. Because the new accounting system was implemented by ABMC after September 30, 2001, we did not determine if the new system corrected these deficiencies.

Inadequate controls over information technology systems consisted of the three following areas.

- **User Documentation:** There was no user documentation to support the Clipper accounting system used by the European Regional Office and the dBase IV accounting system used by the Mediterranean Regional Office. Also, there was no user documentation on the payroll function of the Foxpro accounting system used by the headquarters office that involved 14 civilian employees. Users learned how to use the systems mainly through on-the-job training and had limited support to explain how functions should be performed and to answer questions. However, the age of these systems and their subsequent replacement on October 1, 2001, did not justify the cost of developing user documentation during fiscal year 2001.
- **Security Program:** The headquarters office of ABMC had not documented an overall security planning and management program for security and privacy of information as of September 30, 2001. OMB Circular A-130, *Management of Federal Information Resources*,

provides guidance on documenting such a program including control objectives, areas of responsibility, system rules, training, personnel controls, system interconnections, review of controls, and process authorization. This program would encompass the existing automated proprietary security program. ABMC plans to document an overall security planning and management program for its new accounting system after October 1, 2001.

- **Business Continuity Plan:** The European Regional Office business continuity plan did not contain sufficient detail to ensure successful manual operations and timely recovery of automated processing in the event of a business interruption. Sufficient details would include identification of business operations and applications, personnel contacts, hardware and software needs, space requirements, and alternative sites. The office plans to revise its business continuity plan to include the new accounting system after October 1, 2001.

Compliance with Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations for fiscal year 2001 disclosed no instances of noncompliance reportable under U.S. generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Consistency of Other Information

Management's Discussion and Analysis and a stewardship statement of heritage assets with an accompanying note contain a wide range of data, some of which are not directly related to the consolidating financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the consolidating financial statements and discussed the methods of measurement and presentation with ABMC officials. Based upon this limited work, we found no material inconsistencies with the consolidating financial statements or nonconformance with OMB guidance.

Objectives, Scope, and Methodology

ABMC management is responsible for (1) preparing the consolidating financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad internal control objectives of FMFIA are met, and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) ABMC consolidating financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles and (2) ABMC management maintained effective internal control that provides reasonable, but not absolute, assurance that the following objectives were met.

- Financial reporting: Transactions are properly recorded, processed, and summarized to permit the preparation of consolidating financial statements and stewardship information in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- Compliance with applicable laws and regulations: Transactions are executed in accordance with (1) laws governing the use of budgetary authority, (2) other laws and regulations that could have a direct and material effect on the financial statements, and (3) any other laws, regulations, or governmentwide policies identified by OMB guidance.

We are also responsible for (1) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the consolidating financial statements and for which OMB guidance requires testing and (2) performing limited procedures with respect to certain other information appearing in the ABMC annual financial report. In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the consolidating financial statements;
- assessed the accounting principles used and significant estimates made by ABMC management;
- evaluated the overall presentation of the consolidating financial statements;
- obtained an understanding of internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations (including execution of transactions in accordance with budget authority);
- obtained an understanding of the recording, processing, and summarizing of performance measures as reported in Management's Discussion and Analysis;
- tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of internal control;

-
- considered the process for evaluating and reporting on internal control and financial management systems under FMFIA; and
 - tested compliance with selected provisions of the following laws and regulations:
 - ABMC enabling legislation codified in 36 U.S.C. Chapter 21,
 - public laws applicable to the World War II Memorial Fund,
 - Departments of VA and HUD and Independent Agencies Appropriations Act 2001,
 - Antideficiency Act,
 - Pay and Allowance System for Civilian Employees, and
 - Prompt Payment Act.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to those controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We did not test compliance with all laws and regulations applicable to ABMC. We limited our tests of compliance to those required by OMB audit guidance that we deemed applicable to ABMC's consolidating financial statements for the fiscal year ended September 30, 2001. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our work in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

Agency Comments and Our Evaluation

ABMC management concurred with the facts and conclusions contained in a draft of this report.

A handwritten signature in black ink, reading "Jeanette M. Franzel". The signature is written in a cursive style with a large, looping initial "J".

Jeanette M. Franzel
Acting Director
Financial Management and Assurance

January 31, 2002

Report on Audit of the American Battle Monuments Commission

ABMC Annual Financial Report

AMERICAN BATTLE MONUMENTS COMMISSION

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

Management's Discussion and Analysis

AMERICAN BATTLE MONUMENTS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

History and Mission

Prior to 1923, no federal agency was responsible for commemorating the sacrifices and achievements of United States Armed Forces. After World War I, many American military units erected monuments and markers where they had served in Europe. These monuments and markers came in assorted sizes, shapes, and description. Many bore little relationship to the achievements of the units they represented, were poorly designed and constructed, erected on land not owned by the units, and without provision for future maintenance.

In response to this, Congress in 1923 created the American Battle Monuments Commission (ABMC), a small, independent agency of the Executive Branch of the Federal Government. Congress gave the ABMC the responsibility of commemorating the sacrifices and achievements of American armed forces where they have served since April 6, 1917, the date of United States entry into World War I.

From appropriated funds the ABMC administers, operates, and maintains 24 permanent American Military Cemeteries on foreign soil and 27 stand alone memorials, monuments, and markers: five in the United States and 22 in 14 foreign countries, the Northern Mariana Islands, and Gibraltar. Presently, 124,914 U.S. War Dead are interred in these cemeteries: 30,921 from World War I, 93,243 from World War II, and 750 from the Mexican War. Additionally, almost 6,000 American veterans and others are interred in the Mexico City and Corozal (Panama) National Cemeteries. Commemorated individually by name on stone tablets at the World War I and II cemeteries and three memorials on U.S. soil are the 94,120 U.S. servicemen and women who were missing in action, or lost or buried at sea during the World Wars and the Korean and Vietnam Wars. In addition, 38,320 Korean War Dead are honored in the Korean War Veterans Memorial database.

The ABMC also administers trust funds to: (1) build memorials authorized by Congress, but financed primarily from private contributions, commemorative coin proceeds, and investment earnings; (2) decorate grave sites with flowers from private contributions; and (3) maintain and repair nonfederal war memorials with private contributions.

Organizational Structure and Operations

The ABMC policymaking body is comprised of an 11-member Board of Commissioners appointed by the President for an indefinite term, and who serve without pay. The Commissioners establish policy and ensure proper staff functioning in carrying out the mission of the agency. During inspections, they

observe, inquire, comment upon, and make recommendations on any and all aspects of Commission operations. The ABMC's daily operations are directed by a compensated Executive Level Secretary appointed by the President.

The Commission's headquarters office in Arlington, Virginia, provides oversight for two regional offices, three cemeteries, and 10 memorials, monuments, and markers. The European Region, headquartered near Paris, France, is responsible for 17 cemeteries and 15 memorials, monuments, and markers. The Mediterranean Region, headquartered in Rome, Italy, operates and maintains four cemeteries, one memorial, and one monument.

For Fiscal Year (FY) 2001, the ABMC was authorized and employed 368 full-time civilian employees. U.S. citizens constitute 61 staff members while the remaining 307 were foreign service nationals employed in the countries where the ABMC operates.

The care of these shrines to our War Dead requires a formidable annual program of maintenance and repair of facilities, equipment, and grounds. This care includes upkeep of some 130,900 graves and headstones; and 73 memorial structures (within and external to the cemeteries) on 1,648.8 acres of land. Additionally, the ABMC maintains 41 quarters, utilities, and maintenance facilities; 67 miles of roads and walks; 911 acres of flowering plants, fine lawns and meadows; nearly 3 million square feet of shrubs and hedges; and over 11,000 ornamental trees. Care and maintenance of these resources is exceptionally labor intensive. Therefore, personnel costs accounted for 53 percent of the appropriation for FY 2001. The remaining 47 percent was required to fund other operating costs and fluctuations in six foreign currencies.

In order to insulate the Commission's annual appropriation against major changes in its purchasing power due to currency exchange fluctuations, legislation was enacted in 1988 establishing an ABMC currency fluctuation account in the U.S. Treasury. During FY 2001, the ABMC's net foreign currency exchange gain was about \$2.7 million, while cumulative net gains in recent years have brought the currency account balance to \$10 million as of September 30, 2001.

For the last several years, the American Veterans of WW II, Korea, and Vietnam (AMVETS) and the Robert R. McCormick Tribune Foundation have generously donated chromatically tuned bells in carillons to enhance our overseas cemeteries. The AMVETS installed the first carillon in our Manila cemetery in 1985. They subsequently formed a partnership with the foundation, and in May 2001 delivered a carillon to the Florence American Cemetery, the eleventh they have donated over the years.

Performance Goals and Results

The American Battle Monuments Commission prepared a five year Strategic Performance Plan and an Annual Performance Plan in accordance with the Government Performance and Results Act. These plans were coordinated with key Congressional Staffs and the Office of Management and Budget. While there will continue to be a number of refinements as these plans are implemented, the ABMC feels it has developed a creditable "road-map" for the future. The following goals and results are directly related to our Strategic Performance Plan.

Goal 1

Provide the best, most extensive support possible to next of kin and other customers who use the services of the American Battle Monuments Commission.

Results

On request, ABMC provides information and assistance to relatives and friends of War Dead interred in or commemorated at its facilities. These services include burial and memorialization site information, a letter authorizing non-fee passports for members of the immediate family traveling overseas primarily to visit the cemetery, in-country travel and accommodation information, and upon arrival at the cemetery, escort to the appropriate grave or memorialization site. Requestors are provided with a photograph that is taken of the appropriate headstone or section of the Tablet of the Missing which is mounted on a color lithograph of the cemetery or memorial where a serviceman or woman is buried or commemorated by name. ABMC also purchases floral decorations with donor funds and the donor is provided with a photograph of the headstone or Tablet of the Missing with the decoration in place.

In addition to responding to inquiries by friends and relatives of the War Dead interred or memorialized at our sites, we also provide information to the Executive Branch, Members of Congress, other government agencies, historians, and other interested individuals.

During FY 2001, the ABMC responded to approximately 9,000 inquiries, requiring over 8,700 written responses. In addition, we mailed out more than 3,700 cemetery lithographs.

Some eight million American and foreign citizens visited ABMC cemeteries, memorials, monuments, and markers during FY 2001. Most visitors paid homage collectively to the interred Honored War Dead. Many had a more personal reason for visiting a friend or relative who never returned home. Regardless of the visitor's motivation, ABMC employees dedicated themselves to making each visit gratifying and memorable.

Throughout the year at sites around the world, the ABMC hosts a variety of special events and commemorations including Memorial Day, Independence Day, and Veterans' Day. In addition, many military units hold ceremonies to honor their fallen comrades, and local organizations pay tribute to those who died while liberating the region. While some ceremonies received national attention and publicity, many drew local attention only. All ceremonies reflected a solemn respect for America's Honored War Dead, and appreciation for the sacrifices of all veterans.

Our ABMC Internet web site at www.abmc.gov provides our customers a convenient, user friendly method to access information on the Commission as well as our cemeteries, memorials, monuments, markers, and headquarters operations. In addition, information on the U.S. War Dead from the Korean War and those interred or commemorated at our World War I and II cemeteries overseas are accessible on the web site.

Goal 2

Reduce deferred maintenance backlog and conduct an effective Infrastructure Modernization Program at all the ABMC cemeteries, memorials, and monuments in order to maintain the desired appearance standards, and modernize our facilities.

Results

During Fiscal Year 2001, the ABMC continued to reduce its backlog of Deferred Maintenance Projects from 526 at an estimated cost of \$10.5 million as of September 1998 to 97 projects at an estimated cost of \$2.3 million as of September 30, 2001. Congress has provided \$9.3 million of funding to reduce the deferred maintenance backlog, including \$1.8 million for FY 2001. We project that we will eliminate our backlog of maintenance projects by the end of Fiscal Year 2002.

During Fiscal Year 2001, the ABMC continued a review of its facilities to determine the most appropriate course of action to continue implementation of our Infrastructure Modernization Program. This phase involved completing assessments of our electrical systems and analyzing the structural aspects of our facilities within the European and Mediterranean Regions that identified an estimated \$3.1 million in projects. For FY 2001, Congress appropriated \$1.0 million to fund this initiative.

Goal 3

Determine if technology, outsourcing, and automation can improve efficiency and/or reduce the costs of foreign manpower.

Results

During Fiscal Year 2001, the ABMC continued to review business practices in its overseas locations. Specifically, ABMC attempted to determine if the use of technology and outsourcing could reduce the cost of foreign manpower. For FY 2001, Congress provided \$1.0 million funding with which we modernized equipment, developed evaluation processes, procured enhanced automation programs, and performed deep core aerification at selected cemeteries.

Goal 4

Modernize ABMC's accounting systems and funding processes to ensure that funding is used and accounted for in the most efficient and effective manner.

Results

ABMC accounting systems did not comply with current OMB Circular A-127 requirements to maintain a single, integrated financial management system.

In April 2000, ABMC contracted with PricewaterhouseCoopers (PwC) to assist in the selection of an automated, integrated accounting system that conforms to regulatory and user requirements. PwC began the process by documenting ABMC's accounting and finance business processes, assessing the Information Technology (IT) architecture at Field Offices and Headquarters, and developing both functional and technical requirements. PwC then identified replacement options for ABMC's current system. ABMC leadership selected as a preferred alternative a vendor, or vendor team, that can supply appropriate IT infrastructure and supporting resources, as well as resources to maintain and upgrade the selected software package. In August 2000, ABMC issued a Request for Proposals (RFP) to secure software and hosting services to replace the legacy accounting systems. The RFP responses were received on October 10, 2000. During December 2000, the vendors, USInternetworking (USi), Inc. and PeopleSoft Financials for Government and Education were selected as the application services provider and software team. Implementation began in calendar year 2001 with the new system going operational in October 2001.

The ABMC has made other significant strides over the last several years to streamline its financial processes and procedures. Except for 10 Tunisian staff, all of ABMC's employees are paid through electronic funds transfer (EFT). The headquarters office paid approximately 85% of its vendor purchases through EFT in FY 2001.

Goal 5

Establish a National World War II Memorial in Washington, DC, to honor those who served in the Armed Forces of the United States during World War II and commemorate the participation of the nation in that war.

Results

In 1993, Congress directed the ABMC to establish a World War II Memorial in Washington, D.C. or its environs. It will be the first national memorial dedicated to the 16 million who served in uniform during the war, the more than 400,000 who gave their lives, and the millions who supported the war effort from the home front. Congress provided legislative authority for siting the memorial in the prime area of the capital, which includes the National Mall. The total estimated cost of the memorial project is \$163 million, which includes site selection and design, construction, a National Park Service maintenance fee required by the Commemorative Works Act, groundbreaking and dedication ceremonies, fund raising and administration of the project from its inception in 1993 through projected completion in 2004.

The Commission of Fine Arts (CFA), the National Capital Planning Commission (NCPC) and the Department of Interior approved selection of the Rainbow Pool site, a 7.4-acre area at the east end of the Reflecting Pool between the Lincoln Memorial and the Washington Monument. This prominent location is commensurate with the historical importance and lasting significance of World War II to America and the world. The memorial site was dedicated by President Clinton on Veterans' Day, November 11, 1995.

Appendix I
Report on Audit of the American Battle
Monuments Commission

Friedrich St. Florian, an architect based in Providence, Rhode Island, was selected to design the memorial through a two-stage, open competition through the General Services Administration's Design Excellence Program. President Clinton announced St. Florian's selection during a White House ceremony on January 17, 1997.

The CFA and NCPC approved St. Florian's memorial design concept in 1998, his preliminary design in 1999, and his final architectural design in 2000, clearing the way for a ceremonial groundbreaking that occurred on Veterans' Day, November 11, 2000. The Commissions subsequently approved the memorial ancillary elements (comfort station, information pavilion, contemplative area and access road) in late 2000, and granite selections in the summer of 2001. The memorial site and design have been the subject of 24 public hearings since 1995.

The public fund raising began in earnest in March 1997 when the ABMC announced that former Senator Bob Dole would serve as the National Chairman of the World War II Memorial Campaign. He was joined in this endeavor by National Co-Chairman Frederick W. Smith, founder and CEO of FedEx Corporation. The fund-raising efforts were very positive during FY 2001, building on the groundwork and success of previous fiscal years. The campaign received \$24.1 million in contributions during the fiscal year, bringing the total funds received from all sources, including the federal government, to \$175 million.

Support of the campaign came from hundreds of thousands of individual Americans, corporations, foundations, veterans groups, civic, fraternal and professional organizations, states, and students in schools across the country.

Congress also approved several legislative items that supported the memorial fund-raising efforts. Public Law 106-117, signed November 30, 1999, authorized the ABMC up to \$65 million in borrowing authority to assure timely construction of the memorial. This legislation also extended the authorization for initiation of the memorial construction to December 31, 2005; granted ABMC permanent authority to solicit and receive funds and preserves any such funds in ABMC controlled interest bearing Treasury Accounts, including any funds remaining after completion of the memorial; and increased ABMC's authority to accept volunteer services and to use intellectual property interests. In addition, Public Law 106-398, signed October 30, 2000, designated \$6 million of the proceeds expected from the sale of titanium from the National Defense Stockpile for completion of the design, groundbreaking, construction, maintenance, and dedication of the memorial.

Our greatest challenge has been to ensure that construction is completed so that as many of the World War II generation as possible will live to see and be honored by the memorial. Although a construction permit was issued by the National Park Service in January 2001, a coalition of groups opposed to the site and design filed a federal lawsuit to block the project. Construction, which should have begun in March 2001, was delayed by this legal action. Public Law 107-11, signed on Memorial Day 2001, directed that the memorial "be constructed expeditiously at the dedicated Rainbow Pool site" and provided that previous site and design decisions "shall not be subject to judicial review." On the basis of this legislation, the federal lawsuit was dismissed, clearing the way for award of a construction contract in June 2001. Actual construction began in September 2001 and the memorial is expected to be completed and dedicated in the spring of 2004.

Financial Statements

The ABMC is required by 36 U.S.C. 2103, as codified by Public Law 105-225, August 12, 1998, to prepare agency wide financial statements annually, beginning with FY 1997, and to have such financial statements audited by the U.S. General Accounting Office (GAO) in accordance with generally accepted government auditing standards.

While the financial statements have been prepared from the books and records of the ABMC in conformity with U.S. generally accepted accounting principles used by the Federal Government, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. Also, the financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

Audits of ABMC for FY 1997 and FY 1998 were performed by the public accounting firm of KPMG under contract to the GAO. Audits of ABMC for FY 1999, FY 2000, and FY 2001 were conducted by GAO. Additionally, separate audits of the World War II Fund for FY 1999 and FY 2000 were conducted by the public accounting firm of KPMG. Copies of the separate KPMG reports are available upon request.

Systems, Controls, and Legal Compliance

The ABMC is in the process of modernizing its accounting system as discussed in goal 4 to include controls in place over electronic data processing to prevent unauthorized access and computer viruses. The ABMC has assessed the effectiveness of its internal controls to provide reliable financial and performance reporting, and compliance with applicable laws and regulations.

Future Effects on ABMC

The ABMC continues to support next of kin and others who use our services and to maintain the final resting places of American War Dead on foreign soil. Despite its aging facilities, ABMC strives to maintain high standards of physical appearance and operational efficiency to honor those who have died in the service of our country. The construction of the National World War II Memorial in Washington, D.C. will commemorate those who served and died in that conflict, as well as those who served on the home front.

Appendix I
Report on Audit of the American Battle
Monuments Commission

Consolidating Balance Sheet

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING BALANCE SHEET
As of September 30, 2001
(With Comparative Consolidated Total as of September 30, 2000)

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
			<u>2001</u>	<u>2000</u>
<u>Assets</u>	<u>Cemeteries and Memorials</u>	<u>World War II Memorial</u>	<u>Other Trust Funds</u>	<u>Total</u>
Intragovernmental:				
Fund balances with Treasury (note 2)	\$17,930,042	\$277,700	\$259,945	\$18,467,687
Treasury investments, net (note 3)		95,555,258	26,716	95,581,974
Interest receivable		1,895,213	191	1,895,404
Total intragovernmental	17,930,042	97,728,171	286,852	115,945,065
Cash and foreign accounts (note 4)	1,155,239			1,155,239
Contributions receivable, net (note 5)		17,972,843		17,972,843
General property, plant, & equipment, net (note 6)	1,981,381	46,549		2,027,930
Total Assets	\$21,066,662	\$115,747,563	\$286,852	\$137,101,077
				\$121,042,897
<u>Liabilities</u>				
Liabilities covered by budgetary resources:				
Intragovernmental:				
Accounts payable	\$140,564	\$44,587		\$185,151
Accrued salaries and benefits	149,676			149,676
Total intragovernmental	290,240	44,587		334,827
Accounts payable	1,321,564	309,029	\$275	1,630,868
Accrued salaries and benefits	792,434	20,131		812,565
Other liabilities	85,774			85,774
Liabilities not covered by budgetary resources:				
Unfunded annual leave	656,892	39,875		696,767
Separation pay liability (note 8)	773,582			773,582
Total Liabilities	3,920,486	413,622	275	4,334,383
				6,619,683
Commitments and contingencies (notes 7, 11)				
<u>Net Position</u> (notes 9, 10)				
Unexpended appropriations	16,563,010			16,563,010
Cumulative results of operations	583,166	115,333,941	286,577	116,203,684
Total Net Position	17,146,176	115,333,941	286,577	132,766,694
				114,423,214
Total Liabilities and Net Position	\$21,066,662	\$115,747,563	\$286,852	\$137,101,077
				\$121,042,897

The accompanying notes are an integral part of these statements.

Appendix I
Report on Audit of the American Battle
Monuments Commission

Consolidating Statement of Net Cost and Changes in Net Position

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF NET COST AND CHANGES IN NET POSITION
For the Year Ended September 30, 2001
(With Comparative Consolidated Total For the Year Ended September 30, 2000)

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
	<u>Cemeteries</u>	<u>World</u>	<u>Other</u>	
	<u>and</u>	<u>War II</u>	<u>Trust</u>	
	<u>Memorials</u>	<u>Memorial</u>	<u>Funds</u>	
		(note 10)		
<u>Costs</u>			<u>Total</u>	<u>Total</u>
Program operations:				
Operations and maintenance	\$24,909,158		\$25,018,221	\$26,045,001
Fund raising		\$3,473,850	3,473,850	6,695,212
Administrative		939,890	939,890	1,416,191
Educational support		65,385	65,385	201,252
Design and construction		10,131,861	10,131,861	4,945,316
Memorial costs (note 6)		74,427	74,427	806,334
Property, plant and equipment (note 6)	1,738,613	9,087	1,747,700	1,263,474
Foreign currency (gains), losses, net	(2,678,256)		(2,678,256)	(2,383,297)
Net Cost of Operations	23,969,515	14,694,500	38,773,078	38,989,483
<u>Financing Sources</u>				
Expended appropriations	27,928,853		27,928,853	26,621,902
Foreign currency stabilization (gain)	(2,678,256)		(2,678,256)	(2,383,297)
Contributions		24,138,578	24,329,123	66,983,966
Investment earnings		4,432,478	4,433,603	2,345,332
Imputed financing (note 8)	410,507		410,507	465,223
Total financing sources	25,661,104	28,571,056	54,423,830	94,033,126
Net Results of Operations	1,691,589	13,876,556	15,650,752	55,043,643
<u>Changes in Net Position</u>				
Increase in unexpended appropriations	2,692,728		2,692,728	4,113,646
Net Position - start of the year	12,761,859	101,457,385	114,423,214	55,265,925
Net Position - end of the year	\$17,146,176	\$115,333,941	\$132,766,694	\$114,423,214

The accompanying notes are an integral part of these statements.

Appendix I
Report on Audit of the American Battle
Monuments Commission

Consolidating Statement of Budgetary Resources

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2001
(With Comparative Consolidated Total For the Year Ended September 30, 2000)

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
	<u>Cemeteries</u>	<u>World</u>	<u>2001</u>	<u>2000</u>
	<u>and</u>	<u>War II</u>		
	<u>Memorials</u>	<u>Memorial</u>	<u>Total</u>	<u>Total</u>
<u>Budgetary Resources</u>				
Budgetary authority - gross	\$28,000,000		\$28,000,000	\$28,467,000
Budgetary authority - rescinded	(61,600)		(61,600)	(108,175)
Unobligated balances, start of year	7,356,695	\$136,095,217	\$151,883	143,603,795
Borrowing authority		(65,000,000)		65,000,000
Spending authority from offsetting collections		35,368,662	190,431	35,559,093
Total Budgetary Resources	<u>\$35,295,095</u>	<u>\$106,463,879</u>	<u>\$342,314</u>	<u>\$142,101,288</u>
				<u>\$183,188,846</u>
<u>Status of Budgetary Resources</u>				
Obligations incurred	\$24,806,808	\$32,401,040	\$91,150	\$57,298,998
Unobligated balances, end of year	10,488,287	74,062,839	251,164	84,802,290
Total Status of Budgetary Resources	<u>\$35,295,095</u>	<u>\$106,463,879</u>	<u>\$342,314</u>	<u>\$142,101,288</u>
				<u>\$183,188,846</u>
<u>Outlays</u>				
Obligations incurred	\$24,806,808	\$32,401,040	\$91,150	\$57,298,998
Plus: obligated balances, start of year	9,436,834	4,224,694	52,191	13,713,719
Less: obligated balances, end of year	(8,478,961)	(20,343,796)	(34,017)	(28,856,774)
Total Outlays	<u>\$25,764,681</u>	<u>\$16,281,938</u>	<u>\$109,324</u>	<u>\$42,155,943</u>
				<u>\$36,577,394</u>

The accompanying notes are an integral part of these statements.

Appendix I
Report on Audit of the American Battle
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Consolidating Statement of Financing

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF FINANCING
For the Year Ended September 30, 2001
(With Comparative Consolidated Total For the Year Ended September 30, 2000)

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
			<u>2001</u>	<u>2000</u>
	<u>Cemeteries and Memorials</u>	<u>World War II Memorial</u>	<u>Other Trust Funds</u>	
			<u>Total</u>	<u>Total</u>
<u>Obligations and Nonbudgetary Resources</u>				
Obligations incurred	\$24,806,808	\$32,401,040	\$91,150	\$57,298,998
Imputed retirement and audit services	410,507			410,507
Total Obligations and Nonbudgetary Resources	25,217,315	32,401,040	91,150	57,709,505
				40,050,274
<u>Resources That Do Not Fund Net Cost of Operations</u>				
Cost capitalized on the balance sheet	(1,789,685)			(1,789,685)
Decrease in separation pay				(38,421)
Decrease in unfunded annual leave	(40,892)	(43,716)		(84,608)
Undelivered orders - start of year	6,513,586	2,172,281	51,654	8,737,521
Less: Undelivered orders - end of year	(6,074,722)	(19,970,047)	(33,741)	(26,078,510)
Total Resources That Do Not Fund Net Cost of Operations	(1,391,713)	(17,841,482)	17,913	(19,215,282)
				(1,595,795)
<u>Costs That Do Not Require Resources</u>				
Depreciation	132,726	21,802		154,528
In-kind expenses		113,140		113,140
Total Costs That Do Not Require Resources	132,726	134,942		267,668
				510,620
<u>Financing Sources Yet to be Provided</u>				
Increase in unfunded annual leave				24,384
Increase in separation pay liability	11,187			11,187
Net Cost of Operations	\$23,969,515	\$14,694,500	\$109,063	\$38,773,078
				\$38,989,483

The accompanying notes are an integral part of these statements.

Notes to the Consolidating Financial Statements

AMERICAN BATTLE MONUMENTS COMMISSION
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2001 and 2000

Note 1. Significant Accounting Policies

A. Basis of Presentation

The accompanying consolidating financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and financing of the American Battle Monuments Commission (ABMC) in conformity with U.S. generally accepted accounting principles as used by the federal government. There are no intra-entity transactions to be eliminated.

B. Reporting Entity and Funding Sources

The ABMC is an independent agency within the Executive Branch of the Federal Government. The ABMC was created by an Act of March 4, 1923, the current provisions of which are now codified in 36 U.S.C. chapter 21 by Public Law 105-225, August 12, 1998. The ABMC's mission is to commemorate the sacrifices and achievements of U.S. Armed Forces where they have served overseas since April 6, 1917, and at locations within the United States when directed by the Congress. The ABMC designs, administers, constructs, operates, and maintains 24 American military cemeteries and 27 memorials, monuments, and markers (herein collectively referred to as memorials). All of the cemeteries are located on foreign soil. Five memorials are located in the United States, and the remainder in fourteen foreign countries, the Marianas, and Gibraltar. The ABMC is headquartered in Arlington, Virginia. Field operations are conducted through offices located near Paris, France and in Rome, Italy; Manila, the Philippines; Mexico City, Mexico; and Panama City, Panama.

The ABMC is also responsible for designing and constructing the national World War II Memorial to be located on the Mall in Washington, D.C. In accordance with the Commemorative Works Act, the Secretary of Interior will assume responsibility for maintenance of the Memorial after its completion. Also in accordance with the Act, the ABMC provided \$6.6 million for deposit in a separate Treasury account to offset the Memorial's costs of perpetual maintenance.

The ABMC's programs are funded primarily through appropriations available without fiscal year limitation. The ABMC also administers several trust funds established to: (1) build memorials authorized by the Congress, but which are funded primarily by private contributions, commemorative coin sales proceeds, and investment earnings; (2) decorate grave sites; and (3) maintain and repair certain non-federal war memorials.

C. Basis of Accounting

The ABMC proprietary (assets, liabilities, equity, revenue, and expenses) accounts are maintained on the accrual basis, where appropriated funds are accounted for by appropriation year, operating expenses are recorded as incurred, and depreciation is taken on property, plant, and equipment not otherwise classified as heritage assets. The ABMC budgetary accounts are maintained on a

budgetary basis, which facilitates compliance with legal constraints and statutory funds control requirements. The functional budget classification is Veterans' Benefits and Services.

D. Fund Balances with Treasury

The ABMC's cash receipts and disbursements are processed by the U.S. Treasury. Fund balances with Treasury are comprised of appropriated general funds and trust funds.

E. Investments

In accordance with Public Law 103-32, the ABMC is authorized to invest World War II Memorial Trust Fund receipts in U.S. Treasury securities. The ABMC is authorized under a modification to its original legislation to invest receipts from certain non-federal war memorial organizations in U.S. Treasury securities. These Treasury investments are recorded at par value plus unamortized premium or less unamortized discount. Premiums and discounts are amortized using the interest method.

F. Foreign Currency

The ABMC operating offices maintain accounts of foreign currencies to be used in making payments in foreign countries. These accounts are reported at the U.S. dollar equivalent using the Treasury exchange rate in effect on the last day of the fiscal year.

G. Contributions and Revenue Recognition

Unrestricted contributions or unconditional promises to give to the ABMC are recognized as revenue in the period of initial pledge when sufficient verifiable evidence of pledges exists. Conditional promises to give are recorded as revenue when the condition has been met. Unconditional promises to give may be temporarily restricted or permanently restricted. Temporarily restricted promises to give are released from restriction when the conditions have been met. Permanently restricted promises to give are recorded as revenue in the period donated, however, donors generally allow only the earned income to be used for general or specific purposes. In-kind contributions of goods and services are recognized at fair value by the ABMC at the time the goods are received or the services are performed. Multiyear contributions due over a period of time are discounted to their present value based upon the short term Treasury interest rate.

H. Operating Materials & Supplies Inventories

The ABMC has determined that it is more cost beneficial to record operating materials and supplies as an expense when purchased rather than when consumed. Consequently, the ABMC reports no operating materials or supplies inventories.

I. Property, Plant, and Equipment

Purchases of general property, plant, and equipment (PP&E) of \$25,000 or less are expensed in the year of acquisition. Purchases of personal property exceeding \$25,000 are capitalized and depreciated on a straight-line basis over five years. Expenditures relating to real property exceeding \$25,000 are capitalized and depreciated on a straight-line basis over 30 years. Heritage assets are

assets possessing significant cultural, architectural, or aesthetic characteristics. The ABMC considers cemeteries, memorials, monuments, and markers acquired through purchase or transfer to be heritage assets. Heritage assets are acquired through purchase or transfer and are accounted for in the ABMC's property records, and are not presented in the balance sheet. Withdrawals of heritage assets are recorded upon formal agreement with recipients. Additional unaudited information concerning heritage assets is found in the Statement of Heritage Assets as required supplementary stewardship information. Cemetery land is owned by the foreign countries in which cemeteries are located, and is provided to the United States in perpetuity.

J. Employee Benefits

Most ABMC civilian U.S. nationals hired after December 31, 1983 are covered by the Federal Employees' Retirement System (FERS), which was implemented on January 1, 1984. ABMC civilian U.S. nationals hired on or before December 31, 1983 could elect to transfer to FERS, or remain with the Civil Service Retirement System (CSRS). For FERS employees, the ABMC withholds .80 percent of base pay, and as employer contributes 10.7 percent of base pay to this retirement system. For Federal Insurance Contribution Act tax and Medicare, the ABMC withholds 7.65 percent from FERS employees' earnings, matches this amount on a dollar-for-dollar basis, and remits the total amount to the Social Security Administration. The ABMC withholds 7.00 percent of base pay plus 1.45 percent for Medicare from CSRS employees' earnings, and as employer contributes 8.51 percent of base pay plus 1.45 percent for Medicare. These deductions are then remitted to the Office of Personnel Management (OPM) and the Social Security Administration. OPM is responsible for government-wide reporting of FERS and CSRS assets, accumulated plan benefits, and unfunded liabilities.

On April 1, 1987 the Federal government instituted the Thrift Saving Plan (TSP), a retirement savings and investment plan for employees covered by FERS and CSRS. The ABMC contributes a minimum of 1 percent of FERS employees' base pay to the TSP. FERS employees have the option of contributing up to 11 percent of their base pay on a tax deferred basis to TSP, which the ABMC matches up to 4 percent of base pay. CSRS employees may contribute up to 6 percent of their base pay to TSP on a tax deferred basis, and receive no matching contribution from the ABMC.

Retirement and other benefits for military personnel detailed to the ABMC are provided by the Military Retirement System (MRS). The military services bill the ABMC quarterly for reimbursement of assignees' pay and benefits, including MRS related amounts. The Department of Defense is responsible for reporting MRS assets, accumulated plan benefits, and unfunded liabilities. During FY2001 all military positions detailed to ABMC were converted to civilian.

Retirement and other benefits for the ABMC's foreign national employees are paid by the ABMC in accordance with the provisions of ten host nation agreements negotiated by the U.S. Department of State.

Annual leave is accrued as earned, and the resulting unfunded liability is reduced as leave is taken. Separation pay is provided in certain countries according to host nation agreements. Separation pay is accrued as earned, and the resulting unfunded liability is reduced when paid to the foreign national leaving the employ of the ABMC. Each year the balance in the accrued separation pay and annual leave accounts is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to fund annual leave and separation pay, funding will be obtained

from future financing resources. Sick leave and other types of unvested leave are expensed when incurred.

K. Imputed Financing

The ABMC received imputed financing for retirement and other benefits paid by OPM and financial audits paid by the General Accounting Office (GAO) during FY 2001 and FY 2000. The ABMC recognized these expenses and related imputed financing in the financial statements.

L. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the amount of revenues and expenses reported during the reporting period. Actual results could differ from those estimates.

M. Borrowing Authority

On November 30, 1999, Public Law 106-117 created special borrowing authority to assure the groundbreaking, construction, and dedication of the National World War II Memorial is completed on a timely basis but no later than December 31, 2005. The ABMC may borrow up to \$65 million at Treasury interest rates not to exceed twenty years for repayment. Although \$65 million was apportioned in FY 2000, the ABMC met the requirements of the Act in FY 2000 without obligating any of the borrowing authority. In FY 2001, the borrowing authority was not required and was not apportioned. Therefore, the borrowing authority is shown as a reversal on the Consolidating Statement of Budgetary Resources.

N. Comparative Data

Comparative data is presented for FY 2001 and FY 2000. Certain reclassifications of FY 2000 amounts were made for comparability with the FY 2001 presentation.

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Note 2. Fund Balances with Treasury

All undisbursed account balances with the U.S. Treasury, as reflected in the ABMC's records, as of September 30 were:

	<u>2001</u>		<u>2000</u>
	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total</u>
General Fund Balance	\$ 7,895,092		\$ 7,895,092
Monument Fund -			
Washington Office		\$19,437	19,437
Monument Fund -			
European Offices		75,807	75,807
Floral Decorations Fund		72,691	72,691
Korean War Memorial Fund		33,105	33,105
Vietnam Memorial Plaque		58,905	58,905
WW II Memorial Fund		277,700	277,700
Currency Fluctuation	<u>10,034,950</u>		<u>10,034,950</u>
	<u>\$17,930,042</u>	<u>\$537,645</u>	<u>\$18,467,687</u>
			<u>\$19,493,664</u>

Note 3. Treasury Investments, Net

As of September 30, the ABMC's investments in U.S. Treasury Notes, which are marketable securities due within one year for 2000 and due within two years for 2001 were:

<u>FY</u>	<u>Cost</u>	<u>Amortization Method</u>	<u>Interest Rates</u>	<u>Net Premium/ (Discount)</u>	<u>Net Investment</u>
01	<u>\$94,226,000</u>	Interest	<u>5.50% to 10.75%</u>	<u>\$1,355,974</u>	<u>\$95,581,974</u>
00	<u>\$71,427,000</u>	Interest	<u>4.00% to 6.50%</u>	<u>(\$188,672)</u>	<u>\$71,238,328</u>

Amortized cost approximated market as of September 30 for these investments.

Note 4. Cash and Foreign Accounts

Outside the United States the ABMC makes payments in U.S. and foreign currencies through imprest cash funds and Treasury designated depository commercial bank accounts which as of September 30 were:

	<u>2001</u>	<u>2000</u>
Imprest Cash Funds	\$32,260	\$27,334
Foreign Bank Accounts	<u>1,122,979</u>	<u>1,931,579</u>
	<u>\$1,155,239</u>	<u>\$1,958,913</u>

Note 5. Contributions Receivable

The ABMC has pledges from the private sector to be used for the World War II Memorial with substantial pledges by major corporations and foundations. These pledges are recorded as contribution receivables and revenue in the fiscal year pledged, and \$17,972,843 is temporarily restricted until collected. Amounts due in future years are as follows:

<u>Fiscal Year Due</u>	
2002	\$14,173,421
2003	2,810,033
2004	853,950
2005	265,000
2006	110,000
After five years	<u>352,087</u>
Total amount due	18,564,491
Less: Discount at 6%	<u>(591,648)</u>
Net Receivable	<u>\$17,972,843</u>

The ABMC believes that all contributions receivable are fully collectible, and therefore, no allowance for uncollectible accounts has been established.

As of September 30, 2001, \$700,000 of conditional promises to give to the Memorial were outstanding, including a pledge for in-kind services with a balance of \$200,000 that was not included in contributions receivable.

Note 6. General Property, Plant, and Equipment, and Heritage Assets

General property, plant, and equipment with an aggregate cost basis of \$25,000 or less and all heritage assets were expensed by the ABMC and totaled \$1,747,700 in FY 2001 and \$1,263,474 in FY 2000. WWII Memorial costs totaling \$74,427 in FY 2001 and \$806,334 in FY 2000 were also expensed.

Since the 1960s, the ABMC's European regional office near Paris, France has occupied a residential structure owned by the United States government. The ABMC is responsible for all utilities, maintenance, and repairs. While the structure has the characteristics of a heritage asset, it has been used as general property. However, it is now fully depreciated and no value is contained in the financial statements.

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General property, plant, and equipment as of September 30 was:

<u>Category</u>	<u>2001</u>			<u>2000</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Buildings	\$70,513	\$46,940	\$23,573	\$70,513	\$44,592	\$25,921
Accounting System	1,760,065	*	1,760,065			
Equipment	<u>1,040,730</u>	<u>796,438</u>	<u>244,292</u>	<u>1,069,218</u>	<u>702,363</u>	<u>366,855</u>
	<u>\$2,871,308</u>	<u>\$843,378</u>	<u>\$2,027,930</u>	<u>\$1,139,731</u>	<u>\$746,955</u>	<u>\$392,776</u>

*Amortization will start on October 1, 2001 when the accounting system is placed into service.

There was no change in the number of physical units or acreage of cemeteries or memorial heritage assets in FY 2001 and FY 2000.

Note 7. Lease Agreements

The ABMC has no capital leases. Operating lease costs (rent) for the ABMC's Arlington, VA headquarters was \$441,365 in FY 2001 and \$494,235 in FY 2000 under a nine year lease. The European Director's living quarters are rented under a yearly agreement. The ABMC's Mediterranean office occupies commercial office space under a six-year renewable operating lease. The Mediterranean Director's living quarters are rented under a six year operating lease, with a two year renewal option. Future minimum payments due on operating leases as of September 30, 2001 were:

<u>Fiscal Year</u>	
2002	\$455,895
2003	442,479
2004	443,396
2005	444,329
2006	445,279
After five years	<u>381,657</u>
	<u>\$2,613,035</u>

Note 8. Employee Benefits

Under host nation agreements, the ABMC's Mediterranean Regions' Italian and Tunisian employees earn separation pay for each year of service with the Commission. The ABMC recognized an unfunded liability for separation pay for these employees of \$773,582 as of September 30, 2001, and \$762,395 as of September 30, 2000.

A portion of pension and other retirement benefits (ORB) expense is funded by an imputed financing source to recognize the amount of pension and ORB unfunded liabilities assumed by the OPM. These costs are computed in accordance with cost factors provided by OPM. For FY 2001, the ABMC incurred \$ 705,895 of pension and ORB costs, \$ 217,507 of which was imputed. For FY 2000, the ABMC incurred \$708,428 of pension and ORB costs, \$212,486 of which was imputed.

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Note 9. Net Position

Net position balances as of September 30, 2001 were:

	<u>General Fund</u>	<u>Trust Funds</u>		<u>Total</u>
		WWII	Other	
Unexpended Appropriations:				
Unobligated	\$10,488,288	\$	\$	\$10,488,288
Undelivered Orders	<u>6,074,722</u>			<u>6,074,722</u>
	<u>\$16,563,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$16,563,010</u>
Cumulative Results of Operations:				
Unrestricted	\$583,166	\$77,391,051	\$252,836	\$78,227,053
Undelivered Orders		19,970,047	33,741	20,003,788
Temporarily Restricted		17,972,843	-	17,972,843
Permanently Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 583,166</u>	<u>\$115,333,941</u>	<u>\$286,577</u>	<u>\$116,203,684</u>
Total Net Position	<u>\$17,146,176</u>	<u>\$115,333,941</u>	<u>\$286,577</u>	<u>\$132,766,694</u>

Net position balances as of September 30, 2000 were:

	<u>General Fund</u>	<u>Trust Funds</u>		<u>Total</u>
		WWII	Other	
Unexpended Appropriations:				
Unobligated	\$7,356,695			\$7,356,695
Undelivered Orders	<u>6,513,586</u>			<u>6,513,586</u>
	<u>\$13,870,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$13,870,281</u>
Cumulative Results of Operations:				
Unrestricted	(\$1,108,422)	\$72,451,120	\$152,406	\$71,495,104
Undelivered Orders		2,172,281	51,564	2,223,845
Temporarily Restricted		26,833,984		26,833,984
Permanently Restricted	<u>(\$1,108,422)</u>	<u>\$101,457,385</u>	<u>\$203,970</u>	<u>\$100,552,933</u>
Total Net Position	<u>\$12,761,859</u>	<u>\$101,457,385</u>	<u>\$203,970</u>	<u>\$114,423,214</u>

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Note 10. Trust Fund – World War II Memorial Fund Program

Financial progress since the inception of the Fund in FY 1993 through FY 2001 is as follows:

<u>Costs</u>	<u>FY01</u>	<u>Total FY93-01*</u>
Fundraising	\$3,473,850	\$30,964,162
Administration	939,890	5,791,982
Memorial project costs	74,427	1,549,301
Property, plant and equipment	9,087	248,134
Education	<u>65,385</u>	<u>426,834</u>
Subtotal	4,562,639	38,980,413
Design & Construction	<u>10,131,861</u>	<u>20,630,468</u>
Net Cost of Operations	14,694,500	59,610,881

Financing Sources

Coin surcharge proceeds		4,797,329
Department of Defense		5,000,000
Sale of titanium	6,000,000	6,000,000
General support	<u>18,138,578</u>	<u>150,122,752</u>
Contributions	24,138,578	165,920,081
Investment earnings	<u>4,432,478</u>	<u>9,024,741</u>
Total Financing Sources	<u>28,571,056</u>	<u>174,944,822</u>
Net Results of Operations	<u>\$13,876,556</u>	<u>\$115,333,941</u>

*The amounts for fiscal years 1993 through 2000 were audited by the U.S. General Accounting Office and presented in their reports GAO/AIMD-95-9 for FY 1993; GAO/AIMD-96-24 for FY 1994; GAO/AIMD-97-68R for FY 1995 and FY 1996; GAO/AIMD-98-129R for FY 1997; GAO/AIMD-99-74 for FY 1998; GAO/AIMD-00-85 for FY 1999; and GAO-01-375 for FY 2000.

Note 11. Subsequent Event

On November 26, 2001, Public Law 107-73 provided \$5 million for the partial construction of a new interpretive and visitors' center at the American Cemetery in Normandy, France. Congress directed the Commission to work with the National Park Service and the American Folklife Center of the Library of Congress during the conceptual study and design of the new center.

Required Supplementary Stewardship Information

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Appendix I
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Statement of Heritage Assets

American Battle Monuments Commission
Statement of Heritage Assets
(Unaudited)

24 Cemeteries

<u>Name</u>	<u>Location</u>	<u>Interred</u>	<u>Memorialized</u>	<u>Acres</u>	<u>War</u>	<u>Deferred Maintenance</u>
<u>European Region</u>						
Aisne Marne American Cemetery	Belleau, (Aisne), France	2,289	1,060	42.5	WW I	\$25,000
Ardennes American Cemetery	Neupre, Belgium	5,328	462	90.5	WW II	\$0
Brittany American Cemetery	St James, (Manche), France	4,410	498	7.5	WW II	\$52,000
Brookwood American Cemetery	Brookwood, England	468	563	4.5	WW I	\$30,000
Cambridge American Cemetery	Cambridge, England	3,812	5,126	30.5	WW II	\$7,000
Epinal American Cemetery	Epinal, (Vosges), France	5,255	424	48.6	WW II	\$100,000
Flanders Field American Cemetery	Waregem, Belgium	368	43	6.2	WW I	\$24,500
Henri-Chapelle American Cemetery	Henri-Chapelle, Belgium	7,989	450	57.0	WW II	\$13,000
Lorraine American Cemetery	St. Avold, (Moselle), France	10,489	444	113.5	WW II	\$36,500
Luxembourg American Cemetery	Luxembourg	5,076	371	48.7	WW II	\$33,500
Meuse-Argonne American Cemetery	Romagne, (Meuse), France	14,246	954	130.5	WW I	\$157,000
Netherlands American Cemetery	Margraten, Holland	8,302	1,723	65.5	WW II	\$355,000
Normandy American Cemetery	Colleville Sur-Mer, France	9,387	1,557	172.5	WW II	\$58,000
Oisne-Aisne American Cemetery	Fere-en-Tardenois, France	6,012	241	36.5	WW I	\$52,500
Somme American Cemetery	Bony, (Aisne), France	1,844	333	14.3	WW I	\$60,000
St Mihiel American Cemetery	Thiacourt, Meurthe, France	4,153	284	40.5	WW I	\$160,000
Suresnes American Cemetery	Seine, France	1,565	974	7.5	WW I/II	\$101,100
<u>Mediterranean Region</u>						
Florence American Cemetery	Florence, Italy	4,402	1,409	70.0	WW II	\$169,200
North Africa American Cemetery	Carthage, Tunisia	2,841	3,724	27.0	WW II	\$35,400
Rhone American Cemetery	Draguignan, Var, France	861	294	12.5	WW II	\$176,418
Sicily-Rome American Cemetery	Nettuno, Italy	7,861	3,095	77.0	WW II	\$25,000
<u>Other</u>						
Corozal American Cemetery	Panama City, Panama	5,044		16.0	*	\$26,000
Mexico City American Cemetery	Mexico City, Mexico	1,563		1.0	Mex Am	\$26,500
Manila American Cemetery	Luzon, Phillipines	17,206	36,282	152.0	WW II	\$212,000
Sub Total		130,771	60,311	1,272.3		\$1,935,618

* Acquired by Executive Order from the former Panama Canal Zone

**Appendix I
Report on Audit of the American Battle
Monuments Commission**

American Battle Monuments Commission
Statement of Heritage Assets
(Unaudited)

27 MEMORIALS, MONUMENTS & MARKERS

<u>Name</u>	<u>Location</u>	<u>Interred</u>	<u>Memorialized</u>	<u>Acres</u>	<u>War</u>	<u>Deferred Maintenance</u>
American Expeditionary Forces Monument	Washington, DC			0.1	WW I	
East Coast Memorial	New York City, NY		4,601	0.8	WW II	
Honolulu Memorial	Honolulu, HI		28,796	1.0	WW II/Korea/Vietnam	\$110,000
Korean War Veterans Memorial	Washington, DC		37,278	7.5	Korea	
West Coast Memorial	San Francisco, CA		412	1.3	WW II	
Audenarde Monument	Audenarde, Belgium			0.4	WW I	\$15,000
Bellicourt Monument	St. Quentin, France			1.8	WW I	
Brest Naval Monument	Brest, France			1.0	WW I	\$10,000
Cabanatuan Memorial	Luzon, Phillipines				WW II	\$104,000
Cantigny Monument	Cantigny, France			0.4	WW I	
Chateau-Thierry Monument	Chateau-Thierry, France			58.9	WW I	
Chaumont Marker	Chaumont, France				WW I	
Gibraltar Naval Monument	Gibraltar			0.1	WW I	
Guadalcanal Memorial	Guadalcanal			0.5	WW II	
Kemmel Monument	Ypres, Belgium			0.2	WW I	
Marine Monument Belleau Wood	Aisne, France			199.6	WW I	
Montfaucon Monument	Montfaucon, France			9.6	WW I	
Montsec Monument	Thiacourt, France			47.5	WW I	
Papua Marker	Port Moresby, New Guinea				WW II	
Point du Hoc Ranger Monument	St. Laurent-sur-Mer, France			29.8	WW II	
Saipan Monument	Saipan, Northern Mariana Islands				WW II	\$70,000
Santiago Surrender Tree	Santiago, Cuba				Sp American War	
Sommepey Monument	Sommepey, France			15.0	WW I	\$25,000
Souilly Marker	Souilly, France				WW I	
Tours Monument	Tours, France			0.5	WW I	
Utah Beach Monument	Sainte Marie-du-Mont, France			0.5	WW II	
Western Naval Task Force Memorial	Casablanca, Morocco				WW II	

OTHER

European Region Garches Office						\$9,400
Sub Total	0	71,087	376.5			\$343,400
Grand Total	130,771	131,398	1,648.8			\$2,279,018

Note to Statement of Heritage Assets

American Battle Monuments Commission
Note to Statement of Heritage Assets
(Unaudited)

Deferred Maintenance

Deferred maintenance is maintenance not performed when it should have been. The ABMC has deferred maintenance at many of its properties. Condition inspections of real property utilizing the condition assessment survey methodology are conducted at least biennially. As a result of these inspections, the ABMC estimates the cost to perform maintenance identified as necessary, but unperformed, during the current accounting period.

Maintenance and repairs performed on real property consisting of land improvements, buildings, and memorials totaled \$3.5 million in FY 2001, \$5.6 million in FY 2000, \$6.1 million in FY 1999, and \$5.9 million in FY 1998, most of which was applied to deferred maintenance projects. Condition assessment surveys, using a five point scale of one (excellent) to five (very poor), identify needed maintenance and repair projects at cemeteries and memorials in order to maintain real property in an acceptable condition of three (fair) or better. Using these condition assessment surveys, 282 engineering maintenance projects with an estimated cost of \$3.9 million were identified as of September 30, 2001 to be performed in future years as necessary to maintain real property in an acceptable condition. The estimated cost of 97 deferred engineering projects as of September 30, 2001 was \$2.3 million. The actual cost of deferred maintenance projects is dependent upon future events, but is not expected to exceed \$5 million.

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